Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

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5	By: Representative Sullivan		
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11	OTHER PURPOSES.		
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13	Subtitle		
14	TO MAKE TECHNICAL CORRECTIONS TO THE		
15	PUBLIC EMPLOYEES' SOCIAL SECURITY LAWS.		
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18	BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:		
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20	SECTION 1. Arkansas Code Title 24, Chapter 1, Subchapter 2	is ameno	ded
21	to read as follows:		
22	24-1-201. Declaration of policy.		
23	In order to extend to employees of the State of Arkansas and	its	
24	political subdivisions and the employees' dependents and survivors	the ba	sic
25	protection accorded to others by the old age and survivors' insura	nce sys	tem
26	federal old age, survivors' and disability insurance, and health in	nsurance	<u>e</u>
27	coverage embodied in the Social Security Act, it is declared to be	the po	licy
28	of the State of Arkansas, subject to the limitations of this subcha	apter,	that
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35			<u>o</u>
36	whom the Commissioner of Social Security has delegated any of his	or her	



1 functions under the Social Security Act with respect to coverage under that 2 act of employees of the state and its political subdivisions; (1)(2) "Employee" means an officer or an employee of the state 3 4 or a political subdivision thereof of the state. All public employees of the 5 State of Arkansas and its political subdivisions, for social security 6 purposes, shall be deemed employees of the paying political entity for which 7 services are rendered, which entity shall be the proper agency for making the 8 deductions, matching contributions, and report required by this subchapter; 9 (3) "Employer" means the State of Arkansas and its political 10 subdivisions; 11 (2)(4) "Employment" means any service performed by an employee 12 in the employ of the state or any political subdivision of the state for his 13 employer except: (A) Services which, in the absence of any agreement 14 15 entered into under this subchapter, would constitute employment as defined in 16 the Social Security Act; or 17 (B) Services which, under the Social Security Act applicable federal law, may not be included or may have been voluntarily 18 19 excluded, under authority granted by federal law or regulations, in an agreement between the state and the federal security administrator 20 21 Commissioner of Social Security entered into under this subchapter; 22 (3) "Federal Insurance Contributions Act" means Subchapter A of 23 Chapter 9 of the federal Internal Revenue Code, as amended; 24 (4) "Federal security administrator" means any individual to 25 whom the federal Social Security Administrator has delegated any of his 26 functions under the Social Security Act with respect to coverage under that 27 act of employees of the state and its political subdivisions; 28 (5) "Modification" means an amendment to the original federal-29 state agreement to extend coverage to groups of additional employee 30 classifications consistent with the provisions of Section 218 of the Social 31 Security Act and this subchapter; 32 (5)(6) "Political subdivision" means an instrumentality of the 33 state, of one (1) or more of its political subdivisions, or of the state and 34 one (1) or more of its political subdivisions, but only if its 35 instrumentality is a juristic entity which is legally separate and distinct 36 from the state or subdivision and only if its employees are not, by virtue of

their relation to the juristic entity, employees of the state or subdivision; 1 2 (7) "Section 218 agreement" means the federal-state agreement between the Commissioner of Social Security and the State of Arkansas entered 3 4 into December 20, 1951, as authorized by the Social Security Enabling Act for 5 the purpose of extending coverage under Title II of the Social Security Act; 6 "Social Security Act" means the Act of Congress approved (6)(8) 7 August 14, 1935, Chapter 531, 49 Stat. 620, officially cited as the "Social 8 Security Act", as amended, including regulations and requirements issued 9 pursuant thereto; 10 (7)(9) "State agency" means the Board of Trustees of the 11 Arkansas Public Employees' Retirement System; and 12 (8)(10) "Wages" means all remuneration for employment as defined 13 in subdivision (4) of this section, including the cash value of all 14 remuneration paid in any medium other than cash, except that it shall not 15 include that part of such remuneration which, even if it were for employment 16 within the meaning of the Federal Insurance Contributions Act, would not constitute wages within the meaning of that act. 17 18 19 24-1-203. Rules and regulations. 20 The state agency Arkansas Public Employees' Retirement System shall 21 make and publish rules and regulations not inconsistent with the provisions 22 of this subchapter it finds necessary or appropriate to the efficient 23 administration of the functions with which it is charged under this 24 subchapter. 25 26 24-1-204. Agreements with federal government and other states. 27 The Arkansas Public Employees' Retirement System state agency, (a) 28 with the approval of the Covernor, is authorized to enter, on behalf of the 29 state, into an agreement a Section 218 agreement, consistent with the terms 30 and provisions of this subchapter, with the federal security administrator 31 Commissioner of Social Security for the purpose of extending the benefits of 32 the federal old age, and survivors' insurance system survivors' and 33 disability insurance, and health insurance coverage to employees of the 34 state, or any political subdivision thereof of the state, with respect to 35 services specified in the agreement which constitute employment as defined in 36 § 24-1-202. This agreement may contain provisions relating to coverage,

1 benefits, contributions, effective date, modification and termination of the 2 agreement, administration, and such other matters as the state agency Arkansas Public Employees' Retirement System and the federal security 3 4 administrator Commissioner of Social Security shall agree upon, but, except 5 as may be otherwise required by or under the Social Security Act as to the 6 services to be covered, the agreement shall provide, in effect, that: 7 (1) Benefits will be provided for employees whose services are 8 covered by the agreement, as well as for their dependents and survivors, on 9 the same basis as though the services constituted employment within the 10 meaning of Title II of the Social Security Act; 11 (2) The state employer shall pay to the Secretary of the 12 Treasury Internal Revenue Service, at such time or times as may be prescribed 13 under the Social Security Act, contributions with respect to wages, as 14 defined in § 24-1-202, equal to the sum of the taxes levied by which would be 15 imposed by §§ 1400 and 1410 of the Federal Insurance Contributions Act if 16 the services covered by the agreement constituted employment within the 17 meaning of that act; 18 (3) It shall be effective with respect to services in employment 19 covered by the agreement performed after a date specified therein, but in no 20 event may it be effective with respect to any services performed prior to 21 January 1, 1951, or such other date as may be provided by the Social Security 22 Act; (4)(3) All services which constitute employment as defined in § 23 24 24-1-202 and are performed in the employ of the state by employees of the 25 state shall be covered by the agreement; and 26 (5)(4) All services shall be covered by the agreement which: 27 (A) Constitute employment as defined in § 24-1-202; 28 (B) Are performed in the employ of a political subdivision 29 of the state; and 30 (C) Are covered by a plan which is in conformity with the terms of the agreement and has been approved by the state agency Arkansas 31 Public Employees' Retirement System under § 24-1-205. 32 33 The state agency Arkansas Public Employees' Retirement System is (b) 34 authorized to enter, on behalf of the state, into an agreement with the 35 appropriate agency or agencies of any other state and with the federal

security administrator Commissioner of Social Security, whereby the benefits

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of the federal old age, survivors' and disability insurance, and health insurance coverage and survivors' insurance system shall be extended to employees of any instrumentality jointly created by this state and any other state or states. The agreement shall, to the extent practicable, be consistent with the terms and provisions of subsection (a) of this section and other provisions of this subchapter.

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24-1-205. Plans for employees of political subdivisions.

9 (a) Each political subdivision of the state is authorized to submit 10 for approval by the state agency Arkansas State Employees' Retirement System 11 a plan for extending the benefits of Title II of the Social Security Act, in 12 conformity with the applicable provisions of that act, to employees of the political subdivisions. Each plan, and any amendment to it, shall be approved 13 by the state agency system if it finds that the plan, or plan as amended, is 14 15 in conformity with such requirements as are provided in regulations of the 16 state agency system, except that no plan shall be approved unless:

17 (1) It is in conformity with the requirements of the Social
18 Security Act and with the agreement entered into under § 24-1-204;

19 (2) It provides that all services which constitute employment as
20 defined in § 24-1-202 and are performed by the employees of a political
21 <u>subdivision</u> in the employ of the political subdivisions by the employees
22 thereof shall be covered by the plan;

(3) It specifies the sources from which the funds necessary to make the payments required by § 24-1-208(a)(1) and (b) are expected to be derived and contains reasonable assurance that the sources will be adequate for that purpose;

27 (4) It provides for methods of administration of the plan by the
28 political subdivision as are found by the state agency system to be necessary
29 for the proper and efficient administration of the plan; and

30 (5) It provides that the political subdivision shall make
31 reports in such form and containing such information as the state agency
32 <u>system</u> may require and shall comply with the provisions as the state agency
33 <u>system</u> or the federal security administrator <u>Commissioner of Social Security</u>
34 may find necessary from time to time to assure the correctness and
35 verification of reports; and .

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 $(6)(\Lambda)$ It authorizes the state agency to terminate the plan in

1 its entirety in the discretion of the state agency, if the state agency finds 2 that there has been a failure to comply substantially with any provision 3 contained in the plan. 4 (B) The termination is to take effect at the expiration of 5 the notice and on the conditions as may be provided by regulations of the 6 state agency and as may be consistent with the provisions of the Social 7 Security Act. 8 (b) The state agency shall not finally refuse to approve a plan 9 submitted by a political subdivision under subsection (a) of this section and 10 shall not terminate an approved plan without reasonable notice and 11 opportunity for hearing to the political subdivision affected thereby. 12 13 24-1-206. Agents. 14 (a) For the purpose of entering into agreements with the state agency 15 Arkansas Public Employees' Retirement System, the following named officers 16 are authorized and empowered to make the agreement on behalf of their agency 17 or political subdivision: 18 (1)(A)(i) The board of control of each state institution or 19 agency having a board or the administrative head of each state department. 20 The board of control shall have authority to (ii) 21 designate an agent to represent the agency over which it has control. 22 (B) In the case of state agencies which do not have a 23 board of control, the chief administrative officer shall act as the 24 contracting officer for the agency; 25 (2) The county judge of each county entering into an agreement 26 with the state agency system shall make and enter of record a county court 27 order approving the agreement with the state agency system and shall 28 designate the county clerk as the agent of the county to deal with the state 29 agency system; 30 (3) The city council of each municipality is authorized to 31 approve the agreement with the state agency system and shall adopt an 32 ordinance designating the city clerk or recorder to represent the 33 municipality; 34 (4) The board of directors of each school district shall have authority to approve the agreement with the state agency system and shall 35 36 designate the county school supervisor or the local superintendent of each

1 school district to deal with the state agency system.

(b)(1) In complying with the provisions of this subchapter, each
political subdivision which qualifies to participate in the social security
plan shall be required as a part of its agreement with the state agency
<u>system</u> to designate an agent to represent the political subdivision in all
matters affecting the administration of the plan.

7 (2) Each agent shall be required to execute a corporate surety 8 bond with a corporate surety company authorized to do business in the State 9 of Arkansas in the sum the state agency may determine to be proper and just 10 to assure the faithful performance of the duties imposed and the proper 11 accounting of all funds due the Contribution Fund from the subdivision.

12 (c) All agents provided for under the provisions of this subchapter 13 who represent the state or a local subdivision in connection with the 14 enforcement of this subchapter shall receive no additional remuneration or 15 emolument of their offices in connection with the administration of this 16 subchapter.

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24-1-207. Contributions - State employees.

19 (a) Every employee of the state whose services are covered by an 20 agreement entered into under § 24-1-204 shall be required to pay 21 contributions, for the period of the coverage, into the Contribution Fund established by § 24-1-210, contributions, with respect to wages as defined in 22 23 § 24-1-202, equal to the amount of tax levied under the Social Security Act 24 which would be imposed by § 1400 of the Federal Insurance Contributions Act 25 if those services constituted employment within the meaning of that act. This 26 liability shall arise in consideration of the employee's retention in the 27 service of the state, or his entry upon such service.

(b) The contributions imposed by this section shall be collected by deducting the amount of the contributions from wages as and when paid, but failure to make the deduction shall not relieve the employee from liability for his contributions.

32 (c) If more or less than the correct amount of the contributions 33 imposed by this section is paid or deducted with respect to any remuneration, 34 proper adjustments, or a refund if an adjustment is impracticable, shall be 35 made, without interest, in such manner and at such times as the state agency 36 <u>Arkansas Public Employees' Retirement System</u> shall prescribe.

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24-1-208. Contributions - Employees of political subdivisions.

3 (a)(1) Each political subdivision as to which a plan has been approved
4 under § 24-1-205 shall pay into the Contribution Fund, with respect to wages
5 as defined in § 24-1-202 and at such time or times as the state agency
6 <u>Arkansas Public Employees' Retirement System</u> may by regulation prescribe,
7 contributions in the amounts and at the rates specified in the applicable
8 agreement entered into by the state agency system under § 24-1-204.

9 (2)(A)(i) Each political subdivision required to make payments 10 under subdivision (1) of this subsection is authorized, in consideration of 11 the employee's retention in, or entry upon, employment, to impose upon each 12 of its employees, as to services which are covered by an approved plan, a 13 contribution with respect to the employee's wages as defined in § 24-1-202. 14 (ii) This amount shall not exceed the amount of tax 15 which would be imposed by the Social Security Act § 1400 of the Federal 16 Insurance Contributions Act if the services constituted employment within the 17 meaning of that act.

18 (B)(i) The political subdivision is authorized to deduct 19 the amount of the contribution from the employee's wages as and when paid. 20 (ii) Contributions so collected shall be paid into 21 the Contribution Fund in partial discharge of the liability of the political 22 subdivision or instrumentality under subdivision (1) of this subsection. 23 (C) Failure to deduct the contribution shall not relieve

24 the employee or employer of liability therefor for the payments.

(b) Delinquent payments due under subdivision (a)(1) of this section may be recovered, with interest at the rate of six percent (6%) per annum, by an action in a court of competent jurisdiction against the political subdivision liable therefor for the payments or at the request of the state agency system may be deducted from any other moneys payable to the subdivision by any department or agency of the state.

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24-1-209. Matching contributions - Transfer.

33 (a)(1) All subdivisions of the state government which enter into the 34 agreements provided for under this subchapter, together with all state 35 agencies whose funds are not deposited in the State Treasury, are authorized 36 and directed to match contributions of employees out of the funds as are

1	available.
2	(2) No additional appropriation or authorization shall be
3	required for matching contributions.
4	(b)(1) After the close of each quarter, the state agency shall make
5	and certify to the Treasurer of State the amount required as matching
6	contributions by the agencies and departments operating from State Treasury
7	funds, setting out the amount to be charged against each fund.
8	(2) Upon receipt of the certificate, the Treasurer of State
9	shall charge the fund so affected and shall credit a like amount to the
10	Contribution Fund.
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12	24-1-210. Contribution Fund.
13	(a) There is established a special fund in the State Treasury to be
14	known as the Contribution Fund, which shall consist of and there shall be
15	deposited therein:
16	(1) All contributions, interest, and penalties collected under
17	§§ 24-1-207 and 24-1-208;
18	(2) All matching contributions due under the provisions of this
19	subchapter;
20	(3) Any moneys paid to the state pursuant to any agreement
21	entered into under § 24-1-204(b);
22	(4) Any property or securities, and earnings thereof, acquired
23	through the use of moneys belonging to the fund;
24	(5) Interest earned upon any moneys in the fund; and
25	(6) All sums recovered upon the bond of the custodian or
26	otherwise for losses sustained by the fund and all other moneys received for
27	the fund from any other source.
28	(b) All moneys in the fund shall be mingled and undivided.
29	(c) Subject to the provisions of this subchapter, the state agency is
30	vested with full power, authority, and jurisdiction over the fund, including
31	all moneys and property or securities belonging thereto. The state agency may
32	perform any and all acts, whether or not specifically designated, which are
33	necessary to the administration thereof and are consistent with the
34	provisions of this subchapter.
35	(d) The Contribution Fund shall be established and held separate and
36	apart from any other funds or moneys of the state and shall be used and

1 administered exclusively for the purpose of this subchapter. 2 (e) From the Contribution Fund, the custodian of the fund shall pay to 3 the Secretary of the Treasury such amounts and at such time or times as may 4 be directed by the state agency in accordance with any agreement entered into 5 under § 24-1-204 and the Social Security Act. 6 (f) The Treasurer of State shall be ex officio treasurer and custodian 7 of the Contribution Fund and shall administer the fund in accordance with the 8 provisions of this subchapter and the directions of the state agency. He 9 shall pay all warrants drawn upon it in accordance with the provisions of 10 this section and with such regulations as the state agency may prescribe 11 pursuant to this section. 12 (g)(1) In the event funds are due the state agency on account of 13 matching contributions and settlement has not been made with the state agency 14 prior to the time allowed for the state agency to make its report and 15 remittance to the Secretary of the Treasury, the Treasurer of State shall, 16 upon certification by the state agency, transfer from the General Revenue 17 Fund Account of the State Apportionment Fund to the Contribution Fund the amount required to pay the balance due the Secretary of the Treasury by the 18 19 state agency. 20 (2) When amounts due the state are recovered by or paid to the 21 state agency, as provided under this subchapter, then any amounts due the 22 General Revenue Fund Account of the State Apportionment Fund on account of 23 advances made shall be repaid to the fund upon certification to the Treasurer 24 of State by the state agency. 25 (3) (A) If any payments are made to the state agency in excess of 26 amounts which would be required to meet the obligations of any political 27 subdivision, the state agency shall have the authority to make such 28 adjustments as are necessary and may refund any excess payments or amounts 29 erroneously paid into the Contribution Fund. 30 (B) Any adjustments or refunds may be made out of any 31 appropriation which the General Assembly may make out of the Contribution 32 Fund. 33 34 24-1-211. Social Security Contributions Bank Fund. 35 (a) In addition to the Contribution Fund established in § 24-1-210, 36 there is created a trust fund which shall be designated the Social Security

1	Contributions Bank Fund. This fund shall be maintained by the state agency in
2	such depository banks as may be designated from time to time by the state
3	agency and shall consist of and there may be deposited therein:
4	(1) Any contributions, interest, and penalties collected under
5	\$\$ 24-1-207 and 24-1-208;
6	(2) All matching contributions due under the provisions of this
7	subchapter;
8	(3) Any moneys paid to the state pursuant to any agreement
9	entered into under § 24-1-204(b);
10	(4) Any property or securities, and earnings thereof, acquired
11	through the use of moneys belonging to the fund;
12	(5) Interest earned upon any money in the fund; and
13	(6) All sums recovered upon the bond of the custodian or
14	otherwise for losses sustained by the fund and all other moneys received for
15	the fund from any source.
16	(b) All moneys in the fund shall be mingled and undivided.
17	(c)(1) Subject to the provisions of this subchapter, the state agency
18	is vested with full power, authority, and jurisdiction over the fund,
19	including all moneys and property or securities belonging thereto. The state
20	agency may invest the fund in direct general obligations of the United
21	States, in certificates of deposit or savings accounts in an amount not to
22	exceed the capital funds, represented by capital, surplus, and undivided
23	profits in financial institutions located in Arkansas that are insured by an
24	agency of the federal government and in repurchase agreements which are
25	collateralized by direct general obligations of the United States or by
26	bonds, notes, debentures, participation certificates, or other obligations
27	issued by an agency of the United States, the principal and interest of which
28	are guaranteed by the agency or the United States.
29	(2) The term "agency", as used in this subsection, shall include
30	the Federal National Mortgage Association, the Covernment National Mortgage
31	Association, and the Federal Bookkeeping Entry System.
32	(3) The investments authorized by this subsection may be made
33	pending the time the funds shall be paid to the Social Security
34	Administration.
35	(d) The state agency may perform any and all acts, whether or not
36	specifically designated, which are necessary to the administration of the

1 fund and are consistent with the provisions of this subchapter. 2 (e) All income of the fund of whatever nature is specifically declared to be cash funds. 3 4 5 24-1-212. Withholding state funds. 6 (a)(1)(A) In the event any agency, department, or political 7 subdivision of the state shall fail, neglect, or refuse to make proper 8 settlement with the state agency of any matching contributions, contributions 9 withheld from the employees, or any other payments found to be legally due, then and in that event, the state agency is authorized to certify that fact 10 11 to the Treasurer of State. 12 (B) The Treasurer of State is directed to withhold from 13 the agency, department, or political subdivision the amount found to be in 14 default from any funds on hand or any funds that may come into the State 15 Treasury belonging to the agency, department, or political subdivision. 16 (2)(A) For the purposes of this subchapter, any funds so 17 withheld arising from taxes collected by the State of Arkansas for the agency, department, or political subdivision of the state are declared to be 18 19 taxes levied and collected for the operation of the agency, department, or 20 political subdivision. 21 (B) The Treasurer of State is directed to transfer the 2.2 amount so withheld to the Contribution Fund. 23 (b) In the event any agency, department, or political subdivision of 24 the state shall fail, refuse, or neglect to make a report to the state agency 25 under such rules and regulations as may be prescribed by the state agency not 26 inconsistent with this subchapter, and when the state agency has certified 27 that fact to the Treasurer of State, any state funds then due or that may 28 become due the agency, department, or political subdivision shall be withheld 29 by the Treasurer of State until such time as all delinquent reports are filed 30 and approved by the state agency. 31 32 24-1-213. Studies and reports. 33 (a) The state agency Arkansas Public Employees' Retirement System 34 shall make studies concerning the problem of old age, and survivors' 35 insurance survivors' and disability insurance, and health insurance 36 protection for employees of the state and local governments and their

1	instrumentalities its political subdivisions and concerning the operation of
2	agreements made and plans approved under this subchapter.
3	(b) The state agency <u>system</u> shall submit a report at the beginning of
4	each regular legislative session covering the administration and operation of
5	this subchapter during the preceding fiscal year and including such
6	recommendations and amendments to this subchapter as it considers proper.
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